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Sellside 3-Year Strategy

August, 2021

Part 1: Overall Sellside

1. Sellside Context

The Sellside operates two missions simultaneously: for our network products, as the publisher facing arm of the buyside to sell Google ads in an advertiser-safe way, and as a Sellside platform for publishers to run their ads monetization businesses. To a large extent, these efforts support each others' success.

It's also useful to examine the role of Sellside in the larger Google context:

1. Google's main business is the intersection of helping users find information and concurrently delivering high ROI advertising solutions alongside content generated by 1st and 3rd parties.

Commented [1]: in addition to network mission + platform mission, is there another broader mission in supporting the long term health of the open / free internet?

Commented [2]: Good question (as per go/ads mission starting with 'Power the open and free internet...)

Commented [3]: Might we also reference how we fund the content that supports our core search business as part of the health of the web story?

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2. Google's Sellside business helps publishers monetize their content. The Sellside acts
  (i) as a comprehensive ads platform (for maximizing revenue to inventory from Google and other advertisers),
  (ii) as a network (to connect with Google demand), and
  (iii) as a partner with other Google products when it adds value to publishers, including:

  ■ growing revenue with other Google products:
   ● **YouTube:** monetizing video content through YT (Partner Sold to increase pub revenue) and the YT Player (Player for Publishers)
   ● **App ads:** enabling new ROAS-driven ad-supported business models
   ● **Funding Choices:** addressing local regulatory requirements and increasing monetization options (beyond ads, e.g. Subscribe w/Google)
   ● **Play:** helping app developers understand play policy environment
  ■ improving content delivery beyond Google:
   ● **Google Analytics / Firebase**: evaluate web/app performance
   ● **AMP** and Core Web Vitals: improving mWeb user experience
   ● **Cloud**: integrated self-service video ad serving platform
   ● **Android TV**: managing inventory sharing w/ distributors

To operate the network model and/or network + platform model, the Sellside builds 1st party relationships with publishers to enable the following:

1. **Brand safety and fraud prevention** to advertisers (via tags on pages and in SDKs)
2. **Minimal fees** paid to intermediary platforms or adtech when possible, lowering costs to advertisers and increasing revenue to publishers
3. **Accurate rendering** of continually improved ads (monetization and user experience), including privacy compliance with features like 'Why this ad?'
4. **Accurate measurement** of ads serving and efficacy
5. **Targeting signals** for bidding (e.g above the fold, scroll, category) to drive superior/competitive understanding of user/query value
6. **Direct publisher interaction** for optimal access, problem solving, market intelligence.

Beyond its network role, the Sellside pursues a platform role (i.e. yield managing across 3rd party demand sources, reservations, and ad load) to achieve three primary purposes for Google:

Commented [4]: I think an important alternate perspective is helping publishers maximize their revenue. The value of a platform is to the user of the platform. I think this framing is more relevant to the sellside as a support arm for Google's ad network offerings -- not our role as a publisher platform.

Commented [5]: Perhaps mention Assistant here too?

Commented [6]: we are also starting to support Cloud by collaborating on improved capabilities for retailers who might use Cloud + Ads together (go/guilder-cloud-rpc)... although this doesn't necessarily fall into 'content delivery'

Commented [7]: Not sure I totally get this paragraph. Is it trying to outline the value prop to our publishers? Or the value to the ecosystem that we can provide because we have a 1P relationship with pubs?

Commented [8]: FWIW, it is also important to the health of the ecosystem that pubs can build sustainable businesses. We care about that both a) they are our customers but b) there is no network without pubs.

Commented [9]: And publisher control.

Commented [10]: I think being a successful platform requires focusing on goals and value for publishers as well -- it's not just about direct value to Google.

Commented [11]: +1, I am trying to parse whether there is a paragraph that speaks to pub value directly.

Commented [12]: another way of framing this within the scope of 'purposes for Google' might be to highlight our role in keeping the internet open and free

eg focus on publisher success -> thriving internet -> good for broader Google

1. Ensuring a **fair auction** with maximal advertiser access to inventory even if not typically available to network traffic,
2. Increasing competition and **reducing access fees**
3. **Generating platform fees** (i.e. serving fees, PG fees, Open Bidding and Auth Buyer fees) for Google.

3. We (historically) invest based on propensity to drive top-line gross revenue over the long-term. We make bets where we see increased user time spent. Publishers are not homogeneous, and relationships are complex and extend beyond ads monetization (e.g. news monetization, IAP through Play, use of cloud, premium media monetization on YouTube). We ensure our activities deliver value to Google in whole (crawlable access, authoritative content on YouTube, integrated cloud sales).

With all this context, we propose focusing sellside on publisher monetization to drive long term publisher relationships with Google. Second, we secure access in other ways as required. Third, we consider how to maximize monetization for Google's O&O.

2. Marketwide Trends and Impact

Six noteworthy trends affecting Sellside appear to be continuing / accelerating:

1. Privacy regulation and tech platform changes
   - Privacy Regulation
     - GDPR, CCPA, and LGPD all require consents for personalization, reducing the eligible population. Publishers and our competitors generally apply less conservative practices, placing us further at a disadvantage.
     - Consent requirements for cookie are increasingly onerous in the EU, resulting in non-personalized ad requests
     - Tech Platform Changes
       - IOS instituted ATT in May, 2021, reducing access to individual IDs for personalization to what we expect will be ~10% of users. Android will likely follow but with a cohort identifier.
       - Safari is removing IP address from web traffic, resulting in significant reduction in personalization and adspam capability
       - Chrome announced 3P cookie deprecation, which will limit personalization to a cohort identifier. Most competitors intent to lean on a Unified ID approach to enable individual personalization across sites, while Google has stated it will not participate in cross-site personalization with its buyside

2. Increasing transparency

Commented [13]: +1 -- but I don't think this is called out above. I've added comments in places where I suggest we should.

Commented [14]: I don't know what this means.

Commented [15]: is this a reference to gBid + Yavin?

Commented [16]: This point is not clear -- what do you mean Google's O&O? Search? YT? Play? As a platform, I think that we provide direct value to YT monetization -- but our value is indirect to Search and Play. I think this point should be unpacked.

Commented [17]: we are also under increasingly intense scrutiny from competition authorities (separate from transparency) which is likely to impact us further in a 3-year period

Commented [18]: "...and transparency" or "...and disclosure"

Commented [19]: and more broadly the use of user data (and the transparency around it)

Commented [20]: +1. Consent is required for NPA/LTD/etc.

Commented [21]: cross-app personalization. Same app (1P) personalization does not require ATT.

Commented [22]: Impact of IP anonymization will mostly be on AdSpam. We should have a reasonable geo signal in most cases to still do meaningful geo targeting.

Commented [23]: what level of geo granularity do we expect to receive?

Commented [24]: In the US, we should have city at least. Ex-US, it may only be country. That's enough for any regulatory enforcement, but may not be granular enough for some pubs who have finer geo targeting on their LI.

Commented [25]: cross site. 1P can continue without cohort identifier.

Commented [26]: Other increased transparency is coming from platforms with the launch of Apple's Nutrition Labels (https://developer.apple.com/app-store/app-privacy-details/) and Play's upcoming Saftey Labels (https://android-developers.googleblog.com/2021/07/new-google-play-safety-section.html)

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- Governments are in the process of driving legislation to force margin disclosures to publishers and advertisers, creating potential confusion because of the per-click basis of how we charge advertisers and requiring additional product effort to disclose data.

3. User migration to apps and streaming services, notwithstanding growth across web, app, and video.

4. Competition accelerated across adtech providers and publishers

> **Commented [27]:** should TTD and AMZN both be in this list?

Apps
- *AppLovin* purchased SafeDK (brand safety), Adjust (attribution) and MachineZone (and invested in many studios) to create a $30B market capitalization adtech + O&O combination.
- *IronSource* funded and launched SuperSonic Studios to grow its ad network + O&O games business to $11B market capitalization.
- *Facebook* continued to hold **36%** of time in apps market share through its expansion of Instagram, WhatsApp and Facebook.
- *Digital Turbine* acquired AdColony (ad network), Fyber (SSP), and Appreciate (DSP) to achieve a $6B market capitalization .
- *Zynga* purchased ad network Chartboost to operate more of its adtech independently.

Video
- *Magnite:* Telaria, SpotX, and Rubicon merged to create the largest independent Ad Server for CTV and Video.
- *Freewheel* acquired a DSP (Beeswax)
- *Disney* acquired Bamtech, investment in Hulu Ad tech
- *Roku* acquired Nielsen's AVA (advanced video advertising), which includes video DAI and automatic content recognition, and DSP (DataXu)
- Broadcasters and programmers acquiring content (i.e Disney buying Fox properties) and going directly to consumers

Web
- *AT&T* is rumored to be spinning off AppNexus/Xandr (web/video SSP)
- *Facebook Audience Network* exited the web network business in April, 2020.
- Continued growth of major CMS providers as % of web (WordPress, Shopify, Wix)

> **Commented [28]:** publishers multi-homing, with increasingly larger numbers of SSPs competing on every query

5. UGC and its potential for monetization
- Time spent in the UGC apps is the fastest growing app category led by TikTok at 325% YoY growth in time spent. Major properties like LinkedIn, Pinterest, NextDoor, Instagram, Reddit, Quora, Snap, Tiktok, KuaiShou, Facebook, and of course, YouTube are all experiencing significant growth.

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- Social/communication apps, like Facebook Messenger, Line, Vibr, Whatsapp, also continue to grow. Historically, these apps have not monetized well except through in-app purchases for expressions (e.g. sticker packs).

6. Impact from COVID-19
    - Despite a short term reduction in brand advertising at the onset of the pandemic, spend returned to pre-levels. Direct reservations and PG will continue into the foreseeable given the high CPM premium vs. open auction.

      > **Commented [29]:** direct may actually accelerate as the loss of identity disproportionately impacts auction

    - Publishers are increasingly interested in bolstering revenue via non-ads sources.
    - We've seen acceleration to digital that likely will not reverse.

3. Overall Strategic Objectives

Overall Strategic Objectives:
1. Win platform position by maximizing publisher monetization (all sources of ad revenue for publishers)
2. Support Google O&O monetization
3. Ensure open, fair, and lowest cost access for Google ads
4. Pursue new sources of margin

> **Commented [30]:** at least on AM, publishers also place a lot of platform value in other features like reporting, insights, forecasting, protections, workflow, etc - should we broaden this to include more holistic platform value?

> **Commented [31]:** +1, maybe add "...and by delivering solutions that simplify [or automate] publisher ad trafficking workflows"

The overarching strategy is to <u>win platform position when possible</u> to maximize access to publishers' inventory and minimize costs attached to our bids, as well as to provide YouTube and Cloud with maximum content coverage and revenue opportunity. Winning platform requires the <u>best overall publisher monetization</u>, including integration across all important demand sources. The rationale for maximizing publisher monetization extends beyond AViD's P&L - when publishers succeed, it bolsters the free and open web, and in turn drives core Search and the use of other Google products, including GDA, Cloud, and others.

When platform position is not possible, we'll attempt to <u>ensure access</u> to as much of the inventory as possible on the best terms we can achieve. For all traffic, we'll continue to improve CPMs and/or additional revenue generation through improved Sellside delivery, features and formats, as well as improve CPMs and demand eligibility in conjunction with our buyside counterparts.

Simultaneously, we'll build to <u>create new inventory opportunities</u> (e.g. new format placements like audio and app open) as well as open inventory that wasn't accessible through continued (and difficult) discussions with publishers that have avoided network demand.

> **Commented [32]:** sponsored product ads is another good example

> **Commented [33]:** callout podcasts specifically since we do support some audio already today

Lastly, we'll pursue <u>new sources of net margin</u>, both within our platform offering and in adjacent spaces (e.g. new revenue through Open Bidding and through marketing research spend [Project Voyager] on the network).

> **Commented [34]:** is this actually going to drive net? historically EB was net ~neutral because it cannibalizes other channels

Given dynamics vary across the market, what follows are our four segment specific strategies, including key themes, strategy, and initiatives.

4. Historically underinvested areas (seeking incremental 2022 investment)

1. **Web (H5) gaming.** We're seeing growth in distribution of H5 games across web and app. We're accelerating gaming formats in web, and looking to acquire a path to game distribution to publishers.
2. **UGC.** We've not yet cracked brand safety and privacy policies to align with our existing buyside promise, limiting our access. We're examining policy changes and technology solutions to reach assurance levels.
3. **GenZ and creators.** We continue losing eyeballs from existing publishers as creators use easier walled garden app platforms like TikTok, Pinterest, and Snap to generate and distribute content. We've put forward proposals like Project Atlas (mobile-consumable access to creator website) and Monetizing Image Search (licensing AdSense content for use on Image Search, enabling additional monetization) but are still yet to gain approvals to move forward.
4. **Audio podcast.** Due to resource constraints, we've not invested in podcasting yet, though talks are underway with YouTube and their newly enlarged strategy. We expect to progress and launch a product by end of 2022.
5. **CTV.** We've run into significant adspam, brand safety, identity, and sales issues that are limiting our eligible ads and inventory. We will need to find another approach to achieve material growth.
6. **Shopping / Retail sites.** After deprecating Sponsored Product Ads, we've not yet found a solution for retailers that provides same-site ads that are incremental to retailer's revenue. We're exploring a co-op solution but likely will need cooperation from Google Ads (Shopping) to provide a sufficient value proposition to retailers.
7. **Future cross-network identity solutions.** Since announcing Google's buyside will not track users across sites and apps, we'll need to convince publishers we have a competitive offering through whatever privacy-safe / K-anonymous / on-device solution we push. ESP is critical for 3rd party buyers to keep our platform relevant and looks likely to land.

> **Commented [35]:** UGC not mentioned in Apps Strategy specifically (though it is mentioned in AdSense section). Might be useful to call out in Apps section especially.
>
> **Commented [36]:** @dfpomeroy@google.com FYI, this 3-year strategy indicates that UGC is the area of underinvestment, and we can do more.
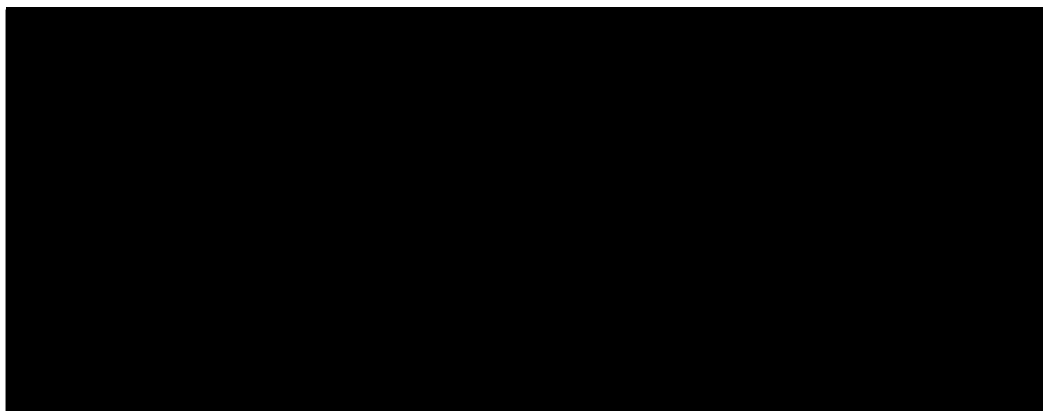
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Part 2: Product Specific Strategies

A. Apps Strategy

Key Themes

A. *Explosive growth in 2021.* In-app ads sector grew 26% YoY in 2020. ███████████ ████████████████████████████ Mobile Gaming adoption and spend drove the growth. We see large opportunities in under-monetized categories including finance, retail, and social where monetization has not matched usage growth.

Google revenue in apps grew significantly, from 18% in 2020 to 51% in 2021.

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B. ████████████████████████████████████
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C. *Market-driven consolidation.* High multiples in publicly-traded and large privately-financed gaming companies are driving IPOs and M&A. Quick gains from monetization affect valuations and IAP revenue serves as a strategic hedge against IDFA deprecation. We also expect privacy rules to favor 1st party relationships and therefore some amount of consolidation to occur. We already see activity by studios (e.g. Voodoo) and ad network/studio combination (AppLovin, IronSource, Bytedance). APAC companies (tech and non-tech) see the export app business model as a strong investment and hedge against their other businesses. Acquisition targets are also eager to sell due to high valuations and a risky regulatory environment.

Commented [37]: Worth pointing out that global LAT opt out is in addition to these numbers? i.e. not all users can even bee ATT'd?

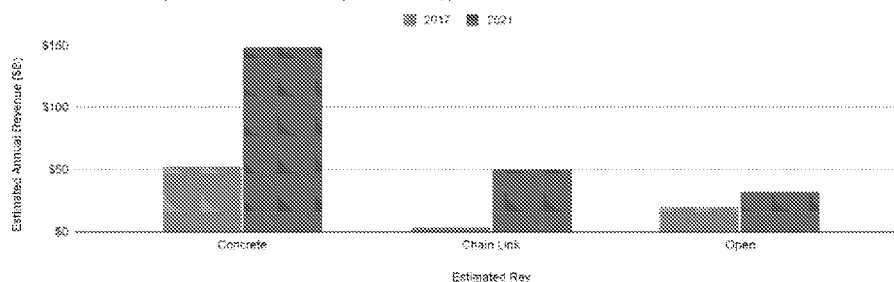**Commented [38]:** ████████████████████
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Should this be present tense? Since YT and iGA aren't prompting?

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M&As in the Video Game Industry*
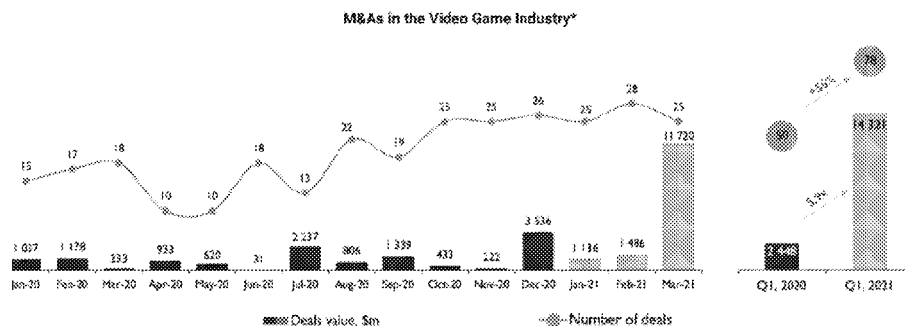
D. *Walled gardens continue growing, but with different philosophies*

Estimated Industry Annual Revenue by Access Type

a. **Established walled gardens** (Facebook, Tencent, Amazon) - inventory typically requiring purchase through their buying door.
b. **Chain link** (Snap, Pinterest, Bytedance, Line, Twitter, Mail.ru) - 2nd generation walled gardens that are willing to share access to select parts of their inventory on specific terms.
c. **Open** - Open access to inventory but the head consists of two sub groups that may limit access in the future.
  i. **Walls in construction** (Applovin, Ironsource, Zynga, Unity) - Ad tech companies that have acquired gaming publishers or vice versa. They're using Google demand to grow both their gaming and ad tech businesses but are already reducing access to their most valuable inventory and will continue to restrict
  ii. **Undecided** (Miniclip, EA, Playtika) - Mobile gaming publishing companies that own large portfolios of studios and titles but have not decided whether to start fencing off access.

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Strategy and Initiatives

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B. Ad Manager Strategy (Web)

Key Themes

A. *Pending cookie deprecation.* Business models will be affected significantly over the next 3 years. Large publishers are hedging bets by investing more in direct relationships with advertisers (i.e. reservations, direct deals) leveraging publisher first party data assets.

B. *Growing AdTech regulation in privacy and competition.* Regulators continue to scrutinize ad tech. We will see meaningful legislation addressing RTB privacy principles and transparency in the programmatic supply chain.

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D. *Search for alternative monetization.* The changes described above make it harder and harder for publishers to rely on a purely ad-supported business model. While some head publishers have had success with subscriptions, it remains to be seen if that will scale with others. Publishers continue to experiment with subscriptions and contributions.

E. *Growing mobile web.* Non-webview mobile web continues to grow much faster than desktop web, indicating the shift to mobile continues and the open web is intact.

F. *Commerce focus.* Digital retailers from Walmart to Target to Instacart are seeking sophisticated stay-on-site monetization solutions. Criteo is investing heavily in a Sellside platform for retailers (based on their hooklogic acquisition).

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Strategy and Initiatives

1. Defend platform position by supporting **direct relationships**
    a. Programmatic Guaranteed (PG) for publisher-advertiser relationship
    b. Encrypted Signals from Publishers (ESP) for publisher-bidder relationship
2. Mitigate revenue loss from cookie deprecation with **pub 1p data**
    a. Expand pub 1P identifiers (PPID/GPID) to programmatic
    b. Better capabilities for pub 1p audience management
    c. Enable Publisher Provided Signals
3. Comply with **regulations** and provide alternate monetization tools
    a. Make RTB privacy safe
    b. Provide alternate monetization tools with **Iris (aka Funding Choices)**
    c. Provide Transparency into revenue shares via "confirming the gross"
4. Grow with **new inventory**
    a. Invest in the commerce opportunity by building a monetization platform for head & torso retailers
    b. Invest in the app opportunity by building a platform for publishers with both direct and indirect revenue
5. **Optimize yield** for existing inventory
    a. Header Bidding Manager to enable publishers to optimize yield across many different header bidding partners
    b. Experiments & Opportunities to help publishers experiment with various different configurations and pick the one that works best for them
    c. New formats (e.g. newsletter monetization, grid) to help publishers increase yield

What Success Looks Like

1. Migration off of to-no 3P cookies, with successful launches of ESP, PPID, GPID, ADH, PPS, 1P Audience Mgmt
2. Increased revenue through uptake of Header Bidding Manager (>5% of volume), PG to $xB, AB/OB to $xB.
3. [Stretch] Commerce co-op/smart shopping spend to $100M
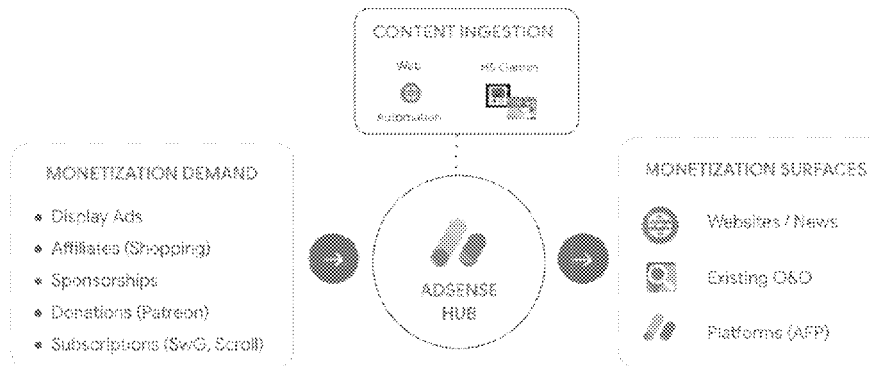
C. AdSense Strategy (Web)

Key Themes

A. *App platform usage surge.* (Young) creators are increasingly using walled gardens and moving off of more technical platforms like WordPress. Content creation and distribution are handled by new platform companies, making it difficult or impossible to see and monetize the content.
B. *Web platforms grow share.* Traditional web publishers continue using platforms like Wordpress and Wix, where they expect comprehensive drag and drop functionality and increasingly automated ways to monetize their content.
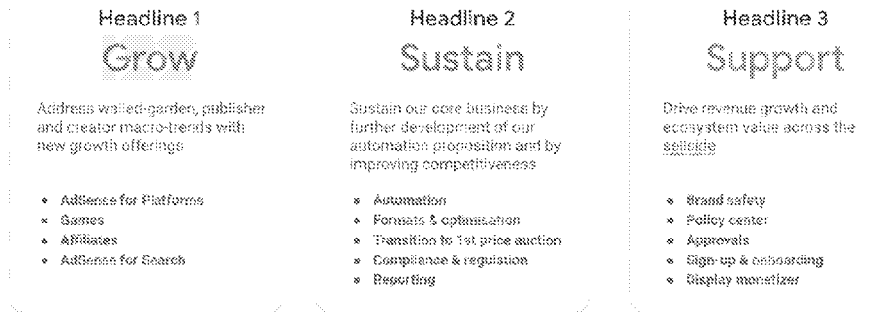
C. *High alternative monetization expectations.* Smaller publishers are more keen than ever to use alternative monetization (e.g. payments) to increase their revenue, but lack technical ability to implement/integrate systems. Similarly, companies like Scroll have struggled to scale across the massive publisher base.
D. *Web gaming growth.* H5 games are emerging, charting a path similar to movie and music to install-free consumption with new monetizable content. However, challenges remain as a $4B fragmented industry identifies better discovery, distribution and monetization methods.

Ecosystem Structure

AdSense serves as a natural publisher interface to torso, tail, and platform publishers to deliver more diversified sources of demand and grow our inventory through extending to new monetization surfaces with higher quality content.

Strategy

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Headline 1 **Grow**	Headline 2 **Sustain**	Headline 3 **Support**
Address walled-garden, publisher and creator macro-trends with new growth offerings	Sustain our core business by further development of our automation proposition and by improving competitiveness	Drive revenue growth and ecosystem value across the sellside
• AdSense for Platforms • Games • Affiliates • AdSense for Search	• Automation • Formats & optimisation • Transition to 1st price auction • Compliance & regulation • Reporting	• Brand safety • Policy center • Approvals • Sign-up & onboarding • Display monetizer

1. **Sustain and grow our traditional Web Publisher base in the face of change**. The most direct way to grow our traditional web publisher base is to extend our automation and optimization solutions to improve the performance of ads while broadening to new sources of demand like affiliate links, contributions and subscriptions. Similarly, we will enable publishers to provide a higher quality mobile web experience using advancements in our Storify and Gallerify technologies. Lastly, our core web publishers are facing uncertainty under new privacy and regulatory changes and we will mitigate the impact through improved consent gathering while providing alternative monetization through Funding Choices.

2. **Meet the needs of future users and creators**. The open web is changing and we need to change too. Creators are continually moving to walled gardens where content creation and distribution is easier than traditional web publishing. We must find ways to reach Creators where they are today and identify opportunities to access their content and provide a diverse range of monetization options, allowing them to grow their audience and communities with Google demand. Our approach will overlap with our Platform strategy as we engage with the next generation of UGC and Creator focused platforms that could become walled gardens otherwise.

3. **Grow our inventory via Platforms**. Platform providers want to focus on creation and distribution of high quality content to grow their audience and communities, however many struggle with monetization and growing sources of demand. We will enable content, hosting and site builder platforms to easily provide Google demand through one-click monetization. In addition, platform providers will have the option of using AFP to easily share revenue and distribute payments amongst platform tenants and creators. UGC is one of the fastest growing inventory areas, but the primary barrier to monetizing Google ad demand has been the challenge in ensuring brand safety. We will also provide ways to enable safe monetization through policy enforcement on individual publishers and tenants while not putting the overall platform at the risk of termination.

4. **Broaden the web ecosystem with new content**. Just as music and movies transitioned from physical distribution to digital installation and then to install-free

Commented [41]: Some examples?

Commented [42]: Broadly speaking the prospects fall into two groups: Site builder platforms such as Wix, SquareSpace, Wordpress.com etc and content platforms (where the platform is a destination brand in its own right) like Soundcloud, tistory, reddit, fandom, imgur, flickr etc). There are also alot of game distribution platforms. See here for more detail: https://docs.google.com/presentation/d/1sbnO5zWmMBqxqICTxRWDHoaYAmAZ5zXgSXSHrR2yCLs/edit#slide=id.ge1a0268a40_1_1948

Commented [43]: Thanks!

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consumption (Spotify, Netflix), we believe games are following that same path with the growth of H5 games. We will address the main challenges by providing new paths to discover H5 games through Search and Discover, new ways to distribute through the AdSense Creator Hub and new opportunities to monetize through Google Ads and higher performing Rewarded Formats. We will also push into additional content forms from Audio Podcasts to Images where Creators can utilize our Monetization Hub to easily register their content for scalable distribution and monetization.

Initiatives

1. **Continue and accelerate investment in automation** through improving performance, automating experiments and extending the proposition beyond ads into transcoding, compliance, content creation and audience development.
2. **Gain access to prevent future walled garden inventory** through provisioning of services to platform providers to allow them to build 'one-click' creator earnings programs and safely monetize UGC.
3. **Turbocharge the H5 games ecosystem** through a new API for developers, new formats and by supporting game discovery and distribution on O&O and third party platforms.
4. **Maintain a clean ecosystem** by continuing to improve network defenses against bad actors, providing a more assistive policy related experience for good publishers and protecting publishers from bad ad experiences.
5. **Reduce impact of identity loss** by leveraging automation and through investment in new targeting models and demand sources such as related search ads, shopping ads and affiliate links and through alternative monetization provision.
6. **Explore opportunities for content syndication** as part of the AdSense creator hub vision, using games as a base but extending into news, audio, video and modern content formats such as web stories or Pathlight.
7. **Enhance x-Google infrastructure for payments** computation to improve publisher experience, auditability, legal compliance and reduce operational costs.

What Success Looks Like

1. Auto-ads to 80%+ of inventory
2. Creator hub connecting 1+ new demand sources (e.g. Smart Shopping) and 2+ new surfaces (e.g. H5 games, Image Search), potentially in conjunction with O&O teams
3. Complete Monetizer work for all Google payouts

D. Ad Manager Video Strategy

Key Themes
A. *CTV/OTT hypergrowth continues (especially in head), but scale challenges persist*

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    a. CTV and OTT space is nascent and a land grab for Ad Tech providers. Our conservative policies (privacy, spam, IP) have hindered growth relative to competitors and resulted in churnflips off of GAM.

> **Commented [44]:** Let's avoid using this term.

    b. Industry challenges to scale include lack of holistic measurement, x-device identity and accepted safeguards for fraud.

> **Commented [45]:** + privacy solutions like WTA

    c. Propensity for auction increases as you move towards Syndication Partners, yet inventory quality suffers; today premium OTT/CTV remains primarily direct (deals or reservations) tied to Linear->Digital transition/Upfronts for Broadcasters with greater auction access through FAST services.

    d. Video ad tech has consolidated with entities focused on CTV and global reach. On the SSP front, Magnite merged with Spotx, while also investing in a SpringServe (Ad server) and Freewheel acquired a DSP (Beeswax).

B. *Media consolidation continues, distribution fragmentation persists.* The result is complex business agreements (e.g inventory sharing, first-look) with comprehensive platform requirements.

    a. Media and tech platforms are investing in home-grown monetization solutions (Roku, AMZ, Disney DRAX, ViacomCBS Conduit) with a push for direct relationships with DSP/buyers. This is increasing pressure to "bid off platform".

> **Commented [46]:** add "that consolidate their unified auction logic into a 1P server"

    b. Devices and OEMs seeking to replicate Roku and AMZ model to monetize their audience on their device footprint including movements in Linear Addressable. Opportunity exists to partner with OEMs however we need a stronger inventory sharing offering to compete.

> **Commented [47]:** And more unique demand to offer to these partners in exchange for inventory access

    c. Long sales cycles for Platform new business require alternate touchpoints (e.g. DAI) to retain and gain inventory access.

C. *Seeking demand diversification.* Since COVID all publishers segments are pursuing demand diversification beyond Brand with the strongest push towards performance and shopping experiences.

    a. There's high demand for format innovation beyond 15s/30s non-skips, especially with Live streaming content where content between ads breaks is under-monetized

    b. Google's network demand is still lagging; our fill rates are <10% due to both demand-constraints (Brand), high pricing floors restricting competition with direct. Video Action Campaigns is fastest demand with default opt-in growing x% eligibility, strong sign for Performance demand on network

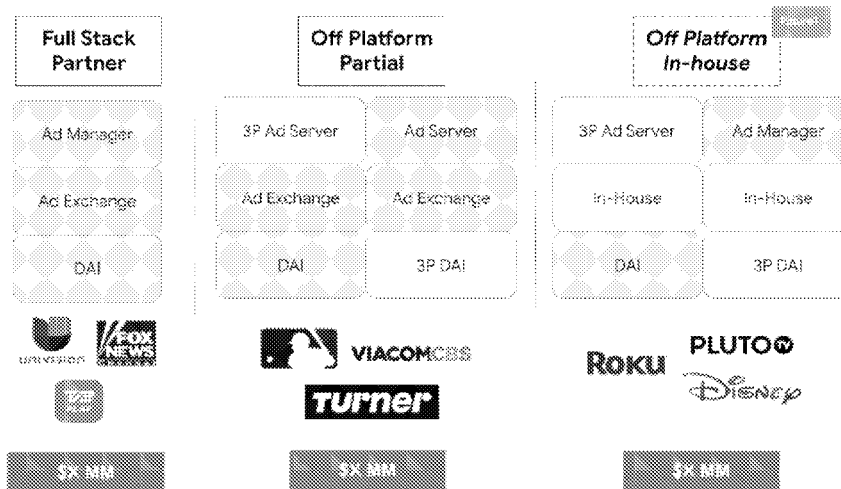> **Commented [48]:** Call out GVP specifically, @peentoopatel@google.com ?

* Note: Prevailing Sellside privacy and regulatory compliance issues also impact Video and will become a greater concern for CTV over time.

Ecosystem Structure

Market Segmentation

Landscape

Full Stack Partner

| Ad Manager |
| Ad Exchange |
| DAI |

Off Platform Partial

3P Ad Server	Ad Server
Ad Exchange	Ad Exchange
DAI	3P DAI

Off Platform In-house

3P Ad Server	Ad Manager
In-House	In-House
DAI	3P DAI

Strategy

1. *Be the platform of choice for Video publishers by strengthening our core video, DAI, and audio capabilities.*

   Full stack publisher partnerships represent the Gold standard for a long term sustainable business model. In an increasingly competitive space, earning platform position requires investing in (i) the tools necessary to optimize for publisher revenue, (i) providing flexibility in integrating with the ecosystem, and (ii) allaying publisher concerns on capricious changes to Google policies.

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We must chart a new policy path to compete in important emerging inventory/surfaces such as CTV, Linear Addressable, Audio, and Podcasts. Publishers continue to seek new avenues to monetize audiences across all surfaces, and we will lose platform position and revenue if we do not adjust our operating practices. Growth in these areas have been hampered by pre-existing web and app Google policies (legal, spam, fraud) which don't fit emerging sector realities.

2. *Onboard publisher content to Google properties to drive O&O consumption growth across Youtube, Android TV and Cloud. Lean into partner sales.* Platform strength with top Video partners is critical to achieve our O&O goals for content acquisition on YT via Partner Sales and Player for Publishers, and to execute on Android TV's "Go Big Plan". Platform improves fair access for content and inventory while supporting privacy-preserving integrations between YT/ATV and Ad Manager, setting a new bar for the ecosystem. A robust platform offering is our response to competitors' strategic moves (Freewheel/Comcast, AMZ/Fire and Roku).

3. *Maintain fair access to strategic inventory when platform position isn't possible.*

We must improve Video demand to win in CTV/OTT. Our network video demand is not scaled. Challenges continue with Brand and Performance advertising, especially for those off our platform. Especially given Google's recent self-declared privacy stance, we must invest more heavily in 3P demand relationships to remain competitive. Near term investments should focus on deals to capture upfronts and marketplaces while charting an eventual path to auction.

We can also utilize our DAI technology as the hook to maintain quality inventory access for AdX while building the case to move flip the partner to full stack. We should consider if and how we integrate with in-house platforms (Yavin, gBid-style).

> **Commented [49]:** We need to stop using this term.

Initiatives

1. **Invest in video platform automation** through insights, trafficking, optimizing yield across inventory sources, and waste reduction with a focus on CTV
2. **Land Inventory sharing across video partners** to support digital carriage agreements with a focus on Android TV's "Go Big" strategy.
3. **Expand DAI through 3P integrations and Cloud** simplifying on-boarding and reducing publisher complexity
4. **Increase access to long-form and live inventory** through "TV" programmatic controls, increasing 3P demand and investing in Deals

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5. **Scale Emerging inventory access (CTV, Audio, Podcasting)** by rationalizing sell side policy blockers
6. **Build TV inventory's path to Open Auction** through T&C's, quality verification and inventory packaging initiatives leveraging content signals
7. **Increase Video demand through performance ads activation** and scale network Audio demand
8. **Grow YT Partner Sales** through music (Audio), Podcasting, Halftime (Live), and critical infrastructure investments and land on a sustainable Player for Publishers program with monetization parity.
9. [TBC] Off-platform investments, Podcasting

> **Commented [50]:** @peentoopatel@google.com what does TBC mean here?
>
> **Commented [51]:** to be confirmed.

What Success Looks Like

1. Increase platform share, including successful landing of AndroidTV

2. Instream overall revenue to $xB

3. CTV to $400M ARR

4. Audio to $400M ARR

> **Commented [52]:** *For #2, guessing we are talking gross revenue? (in the short/ mid term) . Any long term net revenue target?
> * In general, are these all 3-y targets (eg by 2024/2025?) or are there more /other milestones we should add?

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